

Message Text

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PAGE 01 JIDDA 02808 210754Z

17

ACTION COME-00

INFO OCT-01 NEA-14 ISO-00 EB-11 RSC-01 DRC-01 /028 W

----- 101608

R 210725Z MAY 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 7184

INFO AMCONSUL DHAHRAN

UNCLAS JIDDA 2808

E.O. 11652: N/A

TAGS: BEXP, SA

SUBJ: SAG RELIEF FOR INFLATION-PINCHED CONTRACTORS

DEPT PASS COMMERCE

COMMERCE FOR MAJOR EXPORT PROJECTS DIVISION

1. SAG COUNCIL OF MINISTERS HAS APPROVED A PROPOSAL BY MINISTRY OF FINANCE THAT RELIEF BE GRANTED TO CONTRACTORS TO SAG WHO HAVE SUFFERED FROM THEIR FIXED-PRICE CONTRACTS DURING PERIOD OF SEVER INFLATION. ALL CONTRACTS SIGNED (OR BIDS SUBMITTED) PRIOR TO 4 APRIL 1973 INVOLVING CONSTRUCTION MATERIALS AND FOOD STUFFS ARE AFFECTED.

2. INCREMENTAL PAYMENTS WILL BE MADE AS FOLLOWS FOR MATERIAL PROCURED AFTER APRIL 4, 1973, BY CONTRACTORS: SR 500 PER TON OF STEEL, SR 90 PER TON OF CEMENT, SR 20 PER METER OF WOOD, SR 5 PER ELECTRIC FIXTURE. FORMULA FOR FOOD CATERING CONTRACTS IS STILL BEING WORKED OUT.

3. COMMENT: THIS ACTION IS OF PARTICULAR RELEVANCE TO U.S. FIRMS WHO HAVE BEEN NERVOUS ABOUT GETTING LOCKED INTO FIXED-PRICE CONTRACTS IN SAUDI ARABIA AT A TIME OF STRONG INFLATION. IT ILLUSTRATES ONCE AGAIN SAG ATTITUDE THAT "REASONABLE PROFITS" FOR THE PRIVATE SECTOR ARE A GOOD AND DESIRABLE THING, AND BENEVOLENT AND COOPERATIVE APPROACH OF SAG TO FIRMS WHICH HAVE DEMONSTRATED BONA FIDES. ACTION IS ALSO INTERESTING

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PAGE 02 JIDDA 02808 210754Z

EXAMPLE OF APPROACH OF SAG TO HANDLING PROBLEM OF INFLATION

WHICH IS LARGELY IMPORTED.AKINS

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NNN

Message Attributes

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Disposition Approved on Date:
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